



25%  
cash  
rebate

# HOW TO SHOOT FILM IN KOREA

*KOFIC Location Incentive  
for Foreign Audio-visual Works*

## RECENTLY SUPPORTED PROJECTS



**SENSE8**  
American TV series,  
2015-2017



**OKJA**  
American feature film,  
2017



**BLACK PANTHER**  
American feature film,  
2018



**AVENGERS:  
AGE OF ULTRON**  
American feature film,  
2015



**AMERICA'S NEXT  
TOP MODEL CYCLE 21**  
American TV series,  
2014

# HOW TO SHOOT FILM IN KOREA

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## How to Shoot Film in Korea at 2018 IIFTC All India Round Table Conference

**Date:** March 2nd(Fri) • **Venue:** Hotel J.W. Marriott, Juhu

**Host:** India International Film Tourism Conclave(IIFTC)

### Outline

Korea has a notable and influential film market in the Asian film industry. It produced 436 domestic feature length films and had a domestic share of 51.8% in 2017. The Korean audiences have a strong taste for films with average screening number of 4.25 films per person a year. Korean film industry has become a potent candidate for international co-production partnerships due to its experienced crew, solid infrastructure, and stable domestic market.

In addition, 'KOFIC Location Incentive' was introduced in 2012 where foreign audio-visual works including feature films and broadcast programs filmed in Korea are eligible to receive up to 25% cash grant. It has been implemented to promote shooting in Korea. As a result, many works were shot in Korea including *Black Panther*, *Okja*, *Avengers: Age of Ultron* and *Sense 8*.

To India, the world's largest film producing country, a strong East Asian film industry like Korea could be an appealing production partner. In the presentation 'How to Shoot Film in Korea,' there will be an opportunity to look at the location incentive program and meet a prominent Korean production service company, which will hopefully lead to the co-productions in the future.

Composition	Duration	Details
<b>KOFIC Location Incentive Video Clip</b>	2 minutes	Introduction of foreign audiovisual works supported by KOFIC Location Incentive program
<b>Introduction of KOFIC Location Incentive Program</b>	5 minutes	Introduction of current state of Korean film industry and KOFIC Location Incentive program Presentation from Ms. PARK Shin-young, assistant manager of KOFIC's International Promotion Team
<b>Introduction of Korean Production Service Company</b>	5 minutes	Introduction of "MR.ROMANCE PRODUCTION" and their filmography Presentation from Mr. Danny KANG, Producer of "MR.ROMANCE PRODUCTION"

## Korea Lounge for B2B Meeting

**Date:** March 2nd(Fri) ~ March 3rd(Sat), 10 AM ~ 4 PM

**Venue:** Hotel J.W. Marriott, Juhu



# About KOFIC



## Korean Film Council

The Korean Film Council (KOFIC), a government-supported, self-administered body, strives to promote and support Korean films both in Korea and abroad. KOFIC's primary objective is to promote and support the production of Korean films through funding, research, education and training. It also strives to actively participate in international markets on the behalf of Korean films and to promote inter-cultural understanding through film-based cultural exchanges.

## KOFIC Priorities

1. Establishment of plans to promote the Korean film industry
2. Management of the Korean Film Development Fund
3. Provision of support for the production, distribution and screening of films in order to ensure quality and greater diversification
4. Management of film production facilities
5. Support in the form of overseas marketing and promotion of international exchanges
6. Research and development
7. Education and training of film-related personnel

# About KTO



## Promotion Korean tourism to the world

The KTO has established thirty branch offices and seven Korea plazas in eighteen countries. The KTO has been the key player in drawing more International visitors to Korea and plays a major role in promoting Korea to overseas tourists through marketing for each region. KTO has been aggressively participating in International Events, Branding Advertisements, customized marketing, Media Coverage, Familiarization trips to Partners (Media, Travel Agents & Corporate), Market Survey, Market Competitiveness and sales promotion of Korea tour products, Massive Incentive Programme for MICE Activities, Supporting Movie/TV Shooting and on/offline travel information of Korea.

## Nurturing Korea's tourism industry

The Korea Tourism Organization seeks out and identifies new tourism resources to meet the ever increasing public demand, enforces partnerships with the tourism industry and local organizations to promote tourism within Korea and improves tourism conditions for the satisfaction and convenience of tourists. The KTO's core role is to encourage tourism from India to South Korea, boost regional tourism, build and promote tourism infrastructure, enhance tourism industry support system, assist tourism professional training, maximizing visitors to South Korea through Korea Tourism Branding. The KTO has been focusing its efforts on developing tourism technology as well as combining Hallyu – the 'Korean Wave' and tourism Industry through Hallyu marketing to stimulate the Korean tourism industry and sharing Korea's culture with the world.

## Upgrading the competitiveness of the tourism industry

To improve tourist satisfaction and enhance the competitiveness of the tourism industry, KTO is making improvements in the tourism environment, the service infrastructure, which includes accommodation, food and information services, product training to overseas partners as well as the education of tourism personnel.

## Nurturing the next-growth engine of the tourism industry

The tourism industry creates new value when converged with other industries. KTO is concentrating its resources on nurturing film tourism, green tourism, medical tourism, and the MICE industry as the next growth engine of the industry.

# KOREAN PRODUCTION SERVICE COMPANY



Mr.Romance

## MR.ROMANCE PRODUCTION

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## Introduction

MR. ROMANCE is a production company that strives to provide dynamic range of variety of contents considering adaptability of rapid changing media environment from 'one-source, multi-use' into 'multisource, multi-use' method. Even if one image is to be produced, considering the patterns and its wide utilization, it is designed and analyzed cautiously from the very beginning step of planning, process, creating diverse formats of output.

## Filmography

### Production Service

2018 *Black Panther*  
2016 *Sense8 (Season II)*  
2016 *Batman VS Superman*  
2015 *Sense8 (Season I)*  
2015 *Avengers: Age of Ultron*

### Production

2015 *The Phone*  
2012 *The Neighbors*  
2011 *Pain*



## Mr. Danny KANG

Producer of MR.ROMANCE PRODUCTION



2018 *Pacific Rim 2*  
Korean Unit Line Producer  
2018 *Black Panther*  
Korean Unit Line Producer  
2016 *Sense 8 Season II*  
Korean Unit Line Producer  
2016 *Batman vs Superman*  
Korean Unit Line Producer  
2015 *Sense 8 Season I*  
Korean Unit Line Producer  
2015 *Avengers: Age of Ultron*  
Korean Unit Production Manager

# AN OVERVIEW OF KOREAN FILM INDUSTRY 2017



A Taxi Driver

## An Unexpected Jackpot

by Pierce Conran

The Korean film market reached new all-time benchmarks for income and admissions in 2017 after a strong December rally. Yet the real story behind the numbers was which unexpected films got audiences the most excited while several seemingly surefire hits stumbled out of the gate.

With 219.87 million tickets sold when all was said and done, 2017 saw the Korean exhibition market reach a new overall milestone. Though as admissions advanced only 1.3% over 2016, while the annual rate of increase since 2013 has averaged 0.78%, last year was further evidence that the Korean cinema market is at its saturation point.

For the seventh year running, local titles claimed a majority share by clinching 51.8% of sales. Korean films welcomed 113.9 million viewers, the fourth highest figure on record and down 2.3% since 2016. Annual sales reached USD 1.66 billion (KRW 1.76 trillion), also a new record.

### Politics takes the spotlight

Instead of any particular genre dominating the charts, many of the most visible titles last year were ones with heavy political overtones. This applied to both the commercial realm and documentary films in the indie scene. One of two 2017 titles to join the 10 million viewer club, JANG Hun's A Taxi Driver starred SONG Kangho as a Seoul cabbie giving a German reporter (played by international star Thomas Kretschmann) a lift to Gwangju to cover the protests in May, 1980. Even more incendiary was JANG Joon-hwan's 1987: When the Day Comes, which explores in great detail and with a vast cast (including KIM Yun-seok, HA Jung-woo, YOO Haejin and KIM Tae-ri) the cover-up of a student rotester's death as a result of government torture. The last commercial release of 2017, the film continued to draw large crowds throughout January.

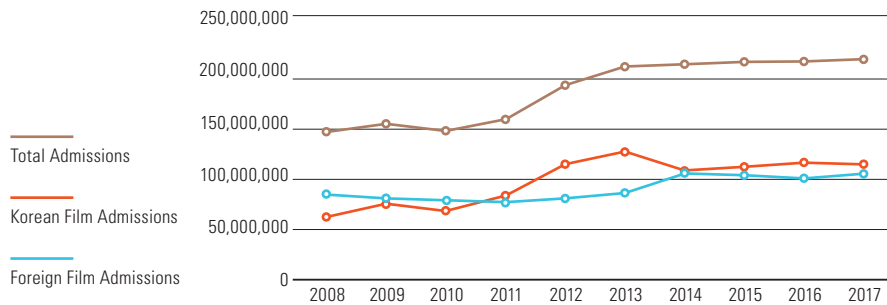
### TOTAL FILM RELEASE, ADMISSIONS AND MARKET SHARE OF KOREAN AND FOREIGN FILMS, 2008-2017

Year	Korean Films			Foreign Films			Total	
	Total Film Releases	Admissions (millions)	Market Share (%)	Total Film Releases	Admissions (millions)	Market Share (%)	Film Releases	Admissions (millions)
2008	108	63.55	42.1%	272	87.28	57.9%	380	150.83
2009	118	76.41	48.7%	243	80.55	51.3%	361	156.96
2010	140	69.40	46.5%	286	79.78	53.5%	426	149.18
2011	150	82.87	51.9%	289	76.85	48.1%	439	159.72
2012	175	114.61	58.8%	456	80.28	41.2%	631	194.89
2013	183	127.29	59.7%	722	86.06	40.3%	905	213.35
2014	217	107.70	50.1%	878	107.36	49.9%	1,095	215.06
2015	232	112.93	52.0%	944	104.36	48.0%	1,176	217.29
2016	302	116.55	53.7%	1,218	100.47	46.3%	1,520	217.02
2017	376	113.90	51.8%	1,245	105.97	48.2%	1,621	219.87

The numbers can differ from the previous statistics due to additional screenings (re-release, etc.).



## TOTAL ADMISSIONS OF KOREAN AND FOREIGN FILMS BY YEAR, 2008-2017



In the low-budget realm there were several politically-tinged documentaries that proved hugely successful. LEE Chang-jae's *Jeonju Cinema Project Our President*, which welcomed an extraordinary 1.86 million viewers (USD 13.68 million), chronicled the election of former president ROH Moo-hyun. CHOI Seung-ho's media corruption exposé *Criminal Conspiracy*, which looks into the erosion of freedom of the press, brought in an impressive 261,000 viewers (USD 1.91 million). In a dramatic turn of events, CHOI was elected as the new head of MBC, the network that he was fired from in 2012, last December.

## Surprise hits punch down pricey tentpoles

Away from the political arena, viewers rewarded titles that offered slight but effective twists on familiar genres, while many pricey high-concept offerings stalled on the charts. Two of the year's most surprising hits each took straightforward thriller narratives and set them in Daerim, an old Seoul neighborhood with a high concentration of Chinese-Korean residents. Jason KIM's *Midnight Runners* featured KANG Ha-neul and PARK Seo-joon as police academy recruits who conduct an unsanctioned investigation after seeing a woman kidnapped on the streets. Released during the high summer season, the film came surprisingly close to the final tally of RYOO Seungwan's World War II escape drama *The Battleship Island*, with HWANG Jungmin, SONG Joong-ki and SO Ji-sub, but at a fraction of the cost. KANG Yun-sung's *The Outlaws* stars Don LEE (aka MA Dong-seok) as a gruff detective who tries to take down a Chinese-Korean gang led by YOON Gye-sang. The surprise hit of the Chuseok holiday season, the gritty crime drama put up a much better showing than HWANG Dong-hyuk's prestige period drama *The Fortress*, which, despite great reviews, and a cast that included LEE Byung-hun, KIM Yun-seok and PARK Hae-il, fell short of expectations at home.

## Dearth of strong roles for women

One of the more unfortunate trends in commercial Korean films in 2017, and one that seems to have been consistent over the last few years, has been the general lack of projects with women leads. NA Moon-hee scored a surprise hit with *I Can Speak*, but among the only other mainstream films led by women were the Cannes-debuted action title *The Villainess* with KIM Ok-vin, the gangster drama *A Special Lady* with KIM Hye-soo and horror titles *House of the Disappeared* with KIM Yun-jin and *The Mimic* with YUM Jung-ah. While fortunes were mixed for these films at the box office, *I Can Speak* was the only film with a woman in the lead to be

released during one of the four most lucrative box office seasons in the country, effectively shutting out actresses for an opportunity to prove themselves.

## Celebrated overseas

BONG Joon-ho screened in competition at the Cannes Film Festival for the first time with his Netflix-backed *Okja*. However, though the film was going to receive wide distribution from Next Entertainment World in Korea, the country's top exhibitors (CGV Cinema, Lotte Cinema and Megabox) all refused to screen it as Netflix insisted on releasing it on their online platform at the same time. The film over-performed in a limited release in arthouse theaters with 322,000 viewers.

## Korea claims busy release windows, foreign titles crowd slower months

The new year brought with it a surprise hit in the form of the animation *Your Name.*, which became the most successful Japanese film of all time in Korea with 3.64 million viewers. After that, it was back to business as usual as local titles duked it out over the Lunar New

## BOX OFFICE TOP 20, 2017

Rank	Title	Release Date	Nationality	No. of Screens	Admissions	Box Office (USD million)	Distributor
1	A Taxi Driver	2017-08-02	Korea	1,906	12,186,327	84.78	Showbox Corp.
2	Along With the Gods: The Two Worlds	2017-12-20	Korea	1,912	8,539,524	60.45	Lotte Shopping Lotte Entertainment Co.
3	Confidential Assignment	2017-01-18	Korea	1,392	7,817,631	56.41	CJ E&M Corp.
4	Spider-Man: Homecoming	2017-07-05	USA	1,965	7,258,678	52.30	Sony Pictures Releasing International
5	The Outlaws	2017-10-03	Korea	1,315	6,879,844	49.81	MegaboxPlusm / Kiwi Media Group
6	The Battleship Island	2017-07-26	Korea	2,027	6,592,151	44.68	CJ E&M Corp.
7	Midnight Runners	2017-08-09	Korea	1,102	5,653,270	39.25	Lotte Shopping Lotte Entertainment Co.
8	The King	2017-01-18	Korea	1,310	5,317,383	38.46	Next Entertainment World
9	Beauty and the Beast	2017-03-16	USA	1,627	5,138,330	37.27	The Walt Disney Company Korea
10	Kingsman: The Golden Circle	2017-09-27	UK / USA	1,687	4,945,484	36.25	20th Century Fox Korea
11	Thor: Ragnarok	2017-10-25	USA	1,640	4,853,778	34.70	The Walt Disney Company Korea
12	The Swindlers	2017-11-22	Korea	1,314	4,018,035	27.69	Showbox Corp.
13	Steel Rain	2017-12-14	Korea	1,426	4,014,286	28.30	Next Entertainment World
14	The Fortress	2017-10-03	Korea	1,229	3,849,087	27.62	CJ E&M Corp.
15	The Mummy	2017-06-06	USA	1,257	3,689,325	26.98	Universal Pictures International Korea
16	Fast and Furious 8	2017-04-12	USA / Japan / France / Canada	1,469	3,653,238	26.52	Universal Pictures International Korea
17	Your Name	2017-01-04	Japan	947	3,637,599	25.87	MegaboxPlusm
18	Despicable Me 3	2017-07-26	USA	1,057	3,324,874	21.42	Universal Pictures International Korea
19	I Can Speak	2017-09-21	Korea	1,140	3,279,296	22.58	Lotte Shopping Lotte Entertainment Co. Little Big Pictures
20	Pirates of the Caribbean: Dead Men Tell No Tales	2017-05-24	USA	1,357	3,049,894	22.09	The Walt Disney Company Korea

Number of Screens = Maximum number of screens in the first week of the film's release

The Exchange rate is set at USD 1 = KRW=1,130.61 (Average Exchange Rate of the year 2017).

## BOX OFFICE TOP 10, 1971 ~ 2017

Rank	Title	Release Date	Nationality	Admissions	Distributor
1	Roaring Currents	2014-7-30	Korea	17,613,682	CJ E&M Corp.
2	Ode to My Father	2014-12-17	Korea	14,257,115	CJ E&M Corp.
3	Avatar	2009-12-17	USA	13,624,328	20th Century Fox Korea
4	Veteran	2015-8-5	Korea	13,414,009	CJ E&M Corp.
5	The Host	2006-07-27	Korea	13,019,740	Showbox Corp.
6	The Thieves	2012-7-25	Korea	12,983,330	Showbox Corp.
7	Miracle in Cell No.7	2013-1-23	Korea	12,811,206	Next Entertainment World
8	Assassination	2015-7-22	Korea	12,705,700	Showbox Corp.
9	Masquerade	2012-9-13	Korea	12,319,542	CJ E&M Corp.
10	King and The Clown	2005-12-29	Korea	12,302,831	Cinema Service Co., Ltd

Statistics from 1971 to 2010 are based on the 'Korean Film Yearbook (KOFIC)' and from 2011 to 2017 is based on Kobis (www.kobis.or.kr) Official Statistics.

## TOTAL FILM RELEASE, BOX OFFICE AND ADMISSIONS BY RATING, 2017

Rating	Total Film Release	Box Office (USD million)	Market Share	Admissions	Market Share by Admission
All	151	156.66	10.4%	23,151,943	10.9%
12+	204	477.60	31.7%	66,772,455	31.3%
15+	408	703.08	46.7%	99,633,367	46.8%
18+	858	170.23	11.3%	23,547,893	11.0%
<b>Total</b>	<b>1,621</b>	<b>1,507.57</b>	<b>100%</b>	<b>213,105,658</b>	<b>100%</b>

Total Film Release only includes those rated by the Korean media Rating Board in 2017.

The Exchange rate is set at USD 1 = KRW=1,130.61 (Average Exchange Rate of the year 2017).

Year Holiday. Prosecutor saga The King got off to a strong start when it opened on the same day as the North Korean action drama Confidential Assignment, but it was the latter that legged it out to victory with 7.82 million admissions, versus the former's respectable 5.32 million spectators total.

The usually slow March got a boost with the release of Disney's global phenomenon Beauty and the Beast, the only film not to be released in Korea's four main release windows to land in the year's top 10, with 5.14 million entries. As per usual, local films took a backseat to Hollywood in spring and early summer as Fast and Furious 8 (3.65 million viewers), Pirates of the Caribbean: Dead Men Tell No Tales (3.05 million viewers) and The Mummy (3.69 million viewers) were the highestgrossing titles of April, May and June.

The Mummy, whose star Tom Cruise is very popular in Korea, briefly broke the record for opening day sales with 873,000 entries, though it quickly slowed down after that. Hollywood scored its best release of the year in July when Spider-Man: Homecoming welcomed 7.26 million spectators. The high summer season kicked off a few weeks later when The Battleship Island once again set a new opening day benchmark with a stunning 971,000 viewers. However, a controversy concerning screen monopolies that followed and a lack of enthusiasm hurt it going forward, as the pricey film couldn't quite get over its break-even point, finishing with 6.59 million admissions. The local industry had no trouble dominating the rest of the season however, as A Taxi Driver rode all the way to 12.19 million entries and Midnight Runners surprised with 5.65 million tickets sold. During the same period, Hollywood's best efforts were Despicable Me 3 with 3.32 million sales and Christopher Nolan's Dunkirk, a few spots shy of the Top 20 with 2.79 million viewers.

Business revved up again in late September ahead of the Chuseok holiday, first with the hit human drama I Can Speak, which gradually made its way to 3.28 million viewers.

## MARKET SHARE BY COUNTRY, 2017

Nationality Region	Type	No. of Titles	Market Share by No. of Titles	Box Office (USD million)	Market Share by Box office	Admissions	Market Share by Admissions
Korea	Screenings	494	29.4%	798.38	51.4%	113,904,450	51.8%
	Release	840					
USA	Screenings	323	23.1%	607.05	39.1%	84,623,455	38.5%
	Release	660					
Japan	Screenings	575	23.1%	60.13	3.9%	8,734,019	4.0%
	Release	661					
UK	Screenings	66	4.3%	56.48	3.6%	7,845,830	3.6%
	Release	122					
Europe	Screenings	153	10.8%	25.34	1.6%	3,850,944	1.8%
	Release	315					
Asia	Screenings	98	6.3%	2.45	0.1%	377,975	0.1%
	Release	183					
North America	Screenings	30	1.4%	1.19	0.1%	179,911	0.1%
	Release	40					
Central and South America	Screenings	8	0.3%	0.38	0%	58,678	0%
	Release	12					
Others	Screenings	18	0.9%	2.26	0.2%	299,343	0.1%
	Release	27					
<b>Total</b>		<b>4,625</b>	<b>100%</b>	<b>1,553.65</b>	<b>100%</b>	<b>219,874,605</b>	<b>100%</b>

The Exchange rate is set at USD 1 = KRW=1,130.61 (Average Exchange Rate of the year 2017)

The statistics are based on Kobis (www.kobis.or.kr) Theme and Official Statistics.

Kingsman: The Golden Circle fell shy of its predecessor but remained strong with 4.95 million admissions before The Fortress and The Outlaws opened on the same day in early October. Defying expectations, the former made it to 3.85 million viewers while the much smaller The Outlaws punched its way to 6.88 million admissions.

Things slowed down after the holidays but there was still space for a few more hits as Marvel scored once more with Thor: Ragnarok, reaching 4.85 million viewers after a late October start, and the local con man thriller The Swindlers, which dominated November with 4.02 million entries.

## The year ahead

As 2018 gets underway there are plenty of big titles ahead, but at this juncture it remains to be seen whether political works will have the same impact. Meanwhile, top actresses such as SON Ye-jin, KONG Hyo-jin and KIM Hye-soo will receive top billing on several promising works later this year, at least some of which should find themselves in prime release slots. A few expensive misfires marred pockets of 2017, but that's not stopping studios from putting forward lineups packed with pricey tentpoles again this year. Among the most expensive films on the way are Joseon Era war drama Ansi Fortress from Next Entertainment World, Along with the Gods: The Last 49 Days from Lotte Entertainment, CJ Entertainment's North Korea-themed action-drama The Spy from the North, and Warner Bros Korea's Jinroh: The Wold Brigade remake Inrang, all with estimated budgets over USD 15 million. NEW in particular is spending a lot on its lineup, which also includes the Joseon Era zombie drama Rage, the Korean War-set Swing Kids, Drug War remake Dokjeon and superhero film Psychokinesis. Also coming with heavy price tags are Showbox's 90s crime drama The Drug King and CJ's actiondrama PMC.

# Battle of December

## Three-Way Showdown

by Pierce Conran

With a few presumed hits coming up short and lower-than usual attendance at some points of the year, particularly early summer, a lot was banking on December to pick up the slack and close the year on a high note. The end-of-year period (late December and early January) is one of the four busiest release windows in Korea, along with Lunar New Year, High Summer (late July/early August) and Chuseok, and tends to be dominated by domestic films. Three local studios stepped up by each putting forward a big-budget film, offering a more ambitious (and potentially riskier) lineup than previous Decembers. What's more, Disney was also in the mix with the most highly anticipated 2017 release around the world.

Fears of an annual admissions dip proved unfounded when December soared to 23.88 million ticket sales, which was a whopping 10.2% improvement over the previous record for the month set in 2014 (21.68 million viewers). But the most remarkable figure was the local market share, as 78% of the tickets sold were for Korean titles. This was a massive jump over the previous record, December 2016's 65.1%. Combined with the overall sales swell, this gave the local industry 18.67 million admissions during the month, a staggering 42% rise over the previous record (2016 - 13.12 million). So exactly how did the local industry engineer such a spectacular result?

First, let's have a look at what films have dominated the end-of-year season in the past.

In the top 20 films ever released in December in Korea, 16 are local titles, while the list is also home to five of the 16 Korean films that have crossed the 10 million mark. As of this writing, JK YOUN's *Ode to My Father* tops the list with 14.26 million entries (though that may change by the time this goes to print) and James Cameron's *Avatar* is the highest foreign title with 13.3 million entries accumulated in 2009, and the only one in the top eight. Among distributors, CJ Entertainment seems to have a knack for programming the right films for the month, as they own seven of the spots in the top 20, including *Ode to My Father*.

Each armed with big budgets, proficient crews and popular stars, *Steel Rain*, *Along with the Gods: The Two Worlds* and *1987: When the Day Comes* demonstrated the manifold strengths of Korea's commercial sector as each title aimed for large crowds by promising very different kinds of entertainment. Meanwhile, *Star Wars: The Last Jedi* opened in Korea the same week as it did around the world, but not with the same results.

Next Entertainment World went first on December 14 with the tried-and-true North Korean action drama by teaming up again with director YANG Woo-suk for *Steel Rain*. Featuring JUNG Woo-sung as a rogue North Korean agent who partners up with KWAK Do-won's South Korean intelligence officer, the film sees the pair attempt to avert a nuclear crisis. With a large action quotient, plenty of humor and topical geopolitical tensions, the film offered a potent entertainment cocktail that viewers rewarded with a strong 1.39 million admissions opening weekend. NEW and YANG previously made the drama *The Attorney* with SONG Kang-ho, which, with 11.37 million spectators, is the fifth most popular film to ever be released in Korea in December.

Coming out on the same day was *Star Wars: The Last Jedi*, which couldn't even mobilize

half of *Steel Rain*'s audience, as it bowed with a disappointing 523,000 spectators. Neither *Star Wars: The Force Awakens* nor *Rogue One* lit up the Korean box office but as it became the first of the new *Star Wars* titles to finish under one million admissions, it seems safe to say that the *Star Wars* brand has failed to build any momentum in Korea.

Opening on December 20, about five months after it was originally supposed to bow, was Lotte Entertainment's *Along with the Gods: The Two Worlds*, the first installment in an ambitious two-

*Along with the Gods: The Two Worlds*



*Steel Rain*



part fantasy epic webtoon adaptation from director KIM Yonghwa. Featuring HA Jung-woo, CHA Tae-hyun, JU Ji-hoon and KIM Hyanggi, the film burst out of the gate with 2.74 million viewers during its first weekend and effectively ended *Steel Rain*'s chances of becoming a major hit. December 27 welcomed JANG Joonhwan's political drama *1987: When the Day Comes*, boasting an enormous array of big names, including but not limited to KIM Yun-seok, HA Jungwoo, YOO Hae-jin, KIM Tae-ri, SUL Kyung-gu and GANG Dong-won. The CJ Entertainment film bowed with a strong 1.35 million entries and terrific reviews but it was *Along with the Gods: The Two Worlds* that once again claimed the top spot with 2.47 million admissions in its second weekend. The first week of January saw no change as the same two titles led, each with over a million tickets sold, and a week later the pair claimed the top spots again, though this time they switched places as *1987: When the Day Comes* essentially stayed level with another weekend take of over a million entries.

As of this writing (January 31), *Along with the Gods: The Two Worlds* has overtaken *Veteran* to become the third most successful Korean film of all time with 14.02 million entries and may end its run as the second most successful Korean film of all time. Showing no signs of slowing down, *1987: When the Day Comes* is steadily turning into one of 2017's most successful releases, having crossed the seven million viewer mark. As we close the books on 2017, we've discovered the true potential of December as a blockbuster season. Following last year's closing trio of hits, future December release schedules may find themselves just as crowded with ambitious local tentpoles.



# KOFIC LOCATION INCENTIVE GUIDELINES

KOFIC Location Incentive 2018 Guidelines will be updated soon on KoBiz website([koreanfilm.or.kr](http://koreanfilm.or.kr)).

## 1. Program Summary

### (1) Purpose

- The money provided by this incentive program is in its entirety drawn from the Tourism Promotion and Development Fund and shall be used to support part of the expenses spent in Korea for producing foreign audio-visual works, for the purpose of tourism promotion, job creation and other economic benefits.
- It is also aimed at encouraging the hosting of location shooting and post-production of foreign audio-visual works and thereby enhancing the production capacities of the Korean film industry and creating an international production network around it.

### (2) Eligible Works

- Feature films, television series and documentaries produced by a foreign production company, in which the allocation of foreign capital in the production cost exceeds 80%

<b>Feature film</b>	a consecutive set of images or video on film, disks, or digital medium, with minimum runtime of 70 minutes produced for public viewing at a cinema, screening facilities or similar places and/or through on-line streaming.
<b>Television series</b>	a series of dramas or shows produced for television broadcast or on-line streaming, with a pre-planned set number of episodes sharing a common theme or structure.
<b>Documentary</b>	a documentary produced for viewing at a cinema, screening facilities or similar places, television, or on-line.

\* Animation, commercials, sports events, and educational programs are not eligible.



- Eligible works must satisfy the following requirements:

Must receive approval from the Review Committee who will evaluate, among other things, the following three elements: (1) the degree to which the work promotes tourism ("tourism expansion"); (2) the degree to which the work contributes to the Korean film industry ("quantitative contribution"); and (3) the extent to which the foreign producer participates in the production of the work ("foreign engagement")

Must spend no less than 100 million KRW (approx. 100,000 USD) in Korea for production expenditure as recognized by the Korean Film Council ("Qualifying Production Expenditure" or QPE). For a television series, the production costs of all the episodes can be aggregated.

Must shoot more than 3 days in Korea

### (3) Eligible Applicants

- A corporation organized and registered as a business in Korea meeting the following requirements:

A film producer or a video producer recognized under the Film and Video Works Promotion Act or an independent broadcasting audio-visual work producer recognized under the Basic Law on Cultural Industry Promotion.

Must be a company who has signed with a foreign production company on a production service agreement, and thereby provides services necessary for in-Korea production of a foreign audio-visual project and operates and manages the relevant financial account for the production. This company must not be a Korean subsidiary of or a Korean company invested by a foreign production company. Provided that, the aforesaid foreign production company shall not be a Korean company's overseas branch or owned more than 50% by a Korean company, its foreign subsidiary or a Korean person.

### (4) Amount of Grant

- Up to 20~25% of the total QPE in cash pending on the available amount in the program's total budget

<b>25% rebate</b>	Shoot more than 10 days in Korea Spend more than 2 billion KRW(2 million USD)
<b>20% rebate</b>	Shoot more than 3 days in Korea Spend between 100 million KRW(100,000 USD) and 2 billion KRW(2 million USD)

- QPE recognizes only those costs incurred from 3 months prior to the commencement of the principal photography in Korea to the date of the audited expenditure statement. QPE must be paid by the corporate credit card(s), bank transfer with electronic tax invoice. (All payment methods should be described in the application form.) However, the exception may apply if the cash expenditure is inevitable due to lack of transportation and/or communication facilities.

\*Refer Exhibit A for the Standard of Qualifying Production Expenditure

- Post production costs or labor costs for actors/actresses and staffs must not exceed 50% of the total QPE, the cost for the main casts must not exceed 30% of total labor cost a production applies.

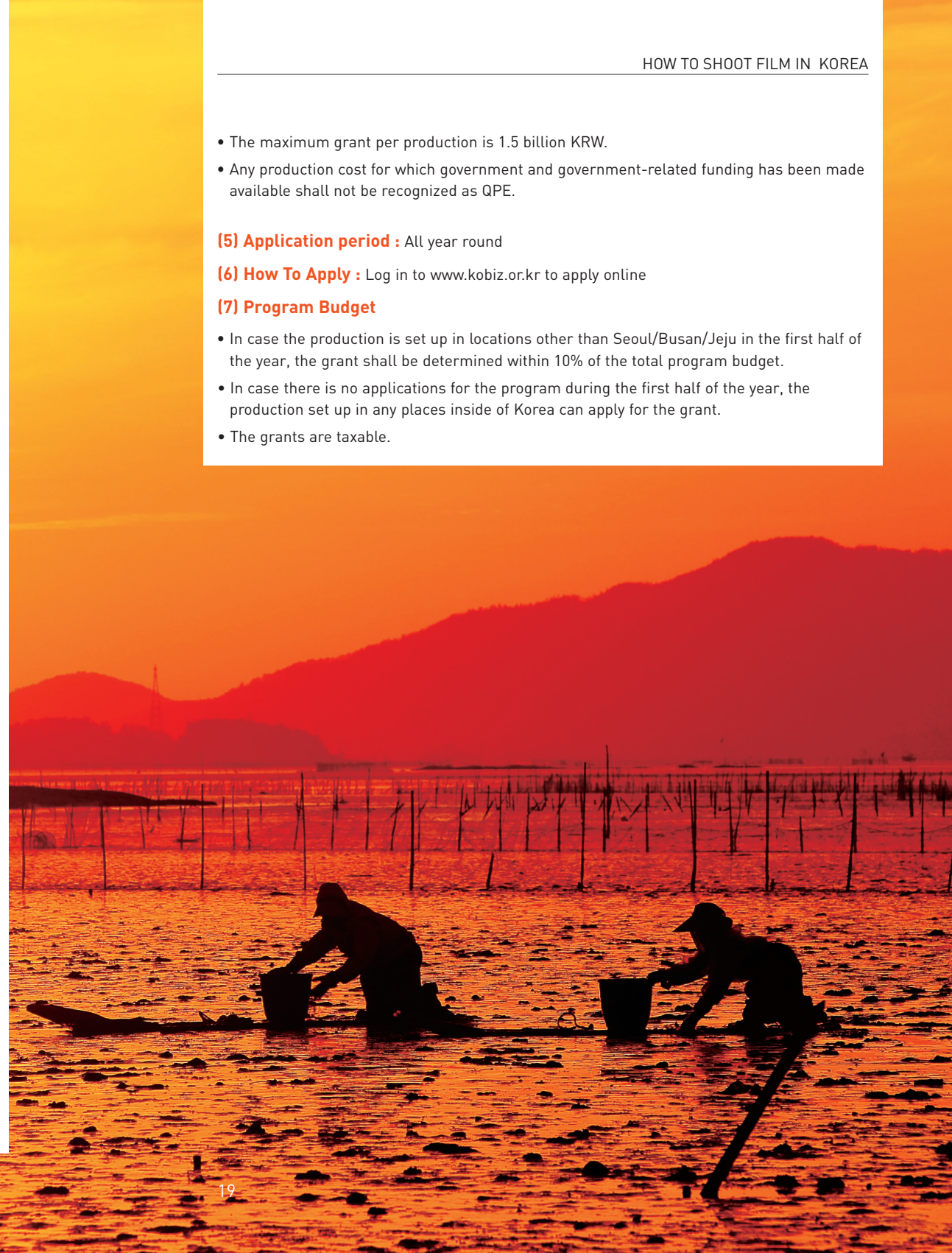
- The maximum grant per production is 1.5 billion KRW.
- Any production cost for which government and government-related funding has been made available shall not be recognized as QPE.

**(5) Application period :** All year round

**(6) How To Apply :** Log in to [www.kobiz.or.kr](http://www.kobiz.or.kr) to apply online

### (7) Program Budget

- In case the production is set up in locations other than Seoul/Busan/Jeju in the first half of the year, the grant shall be determined within 10% of the total program budget.
- In case there is no applications for the program during the first half of the year, the production set up in any places inside of Korea can apply for the grant.
- The grants are taxable.





## 2. Grant Application and Payment Process

### (1) Application Process

#### • Overall process

(1) Provisional application; (2) Entering into an agreement; (3) Final application; and (4) Grants awarded

<b>Provisional application</b>	The applicant submits the provisional application with supporting documents. The Review Committee evaluates the application and decides on the eligibility and the provisional grant amount, if any. Finally, KOFIC, after deliberating upon the Review Committee's evaluation results, makes the final decision and notifies the applicant.
<b>Entering into an agreement</b>	KOFIC and the recipient enter into a grant agreement.
<b>Final application</b>	The recipient submits the final application and the supporting documents such as the audited statement of expenditure, the certificate of subsidy settlement report(only applicable if the total subsidy is 300million KRW or more), and the Review Committee makes the final decision on the eligibility and the final grant amount.
<b>Grants awarded</b>	KOFIC deliberates on the final evaluation results of the Review Committee and makes the payment to the applicant.

### (2) Provisional Application

• The Applicant must submit the following documents no later than 15 days and no earlier than 90 days prior to the commencement of the principal photography in Korea

<b>On-line submission</b>	<ol style="list-style-type: none"> <li>① Provisional Application (KOFIC Form) <ul style="list-style-type: none"> <li>- Applicant information and foreign production company's information</li> <li>- Synopsis</li> <li>- List of locations for the shoots, languages, director, confirmed cast, production staff and all technical equipment providers</li> </ul> </li> <li>② Overall Shooting Plan in Korea</li> <li>③ Copy of the applicant's business registration, copy of the corporate registry and certificate of registration either as a film producer, a video producer, or an independent broadcasting producer</li> <li>④ The foreign production company's business registration and corporate registry or its equivalent</li> <li>⑤ Summary of estimated budget and detailed budget outline of production costs to be spent in Korea (KOFIC-recommended form; fill out all major/minor categories)</li> <li>⑥ The final script and its Korean translation</li> </ol>
<b>Off-line submission</b>	<ol style="list-style-type: none"> <li>① The total production costs financing plan prepared by the foreign production company (KOFIC Form)</li> <li>② A copy of the investment agreement from the foreign production company and its notarized Korean translation</li> <li>③ A copy of the production service agreement between the applicant and the foreign production company, and its notarized Korean translation</li> </ol>

- The applicant may not apply for an amount exceeding the amount estimated to spend in Korea stated in the production service agreement.
- In the event that KOFIC requests additional documents, the applicant shall submit the documents within 5 days. Any delay may result in cancellation or deferral of the application.
- KOFIC shall convene the Review Committee which then shall evaluate the application documents and decide on the applicant's eligibility, approve or disapprove the grant, and the grant amount.
- The Review Committee shall set the grant amount within the total program budget remaining on the evaluation date.
- KOFIC shall deliberate upon the evaluation results of the Review Committee and make the final decisions and notify the applicants accordingly. KOFIC shall have the final authority on the eligibility and the amount, and its decision is not subject to appeal. However, provided that an application previously rejected has been edited to meet the requirements, may be resubmitted.
- In the event that an applicant selected for provisional support withdraws its application more than two times, the Review Committee may exclude such work from consideration.





### (3) Enter into an agreement & Register on a Integrated Management System for the Government Subsidy

- The applicant and KOFIC shall sign an agreement within 2 weeks after the results of the provisional application process are announced.
- Three (3) copies of the agreement shall be submitted, one of which shall be notarized at the applicant's expense.
- In interest of an efficient allocation of the program budget, if the principal photography in Korea does not commence within 3 months after entering into the agreement, KOFIC may cancel the agreement and the grant.
- The applicant must register the contents of the subsidy execution and settlement in 'Integrated Management System for the Government Subsidy' established by The Ministry of Strategy & Finance of Korea.

### (4) Interim Partial Pay-out

- If deemed necessary, the applicant may request a one-time partial settlement of the grant before the production is completed by submitting a few documents including a certificate of performance bond and an audited expenditure statement for the costs incurred thus far.

### (5) Final Application

- The applicant shall complete the production within 12 months after submitting the provisional application, and submit the final application and other supporting documents below within 1 month after the production is complete. Submission period can be extended upon the parties' mutual consent

<b>On-line submission</b>	① Final Application (KOFIC Form) - Synopsis - List of locations for the shoots, languages, director, all cast, all production staff and all technical equipment providers ② Daily shooting report ③ Summary of total production costs, and detailed breakdown of total production costs spent in Korea (KOFIC-recommended form; fill out all major/minor categories) ④ The final script and its Korean translation
<b>Off-line submission</b>	① The total production costs financing plan prepared by the foreign production company (KOFIC Form) ② The audited expenditure statement (on the KOFIC-recommended form) ③ The distribution/exhibition agreement or any certificate of such distribution/exhibition, and its notarized Korean translation ④ Bank records (one copy) of foreign currency transfers by foreign production company ⑤ DVDs containing the cuts shot in Korea

<b>Following documents must be resubmitted in the event of any changes to the original application</b>	Applicant information and foreign production company information (KOFIC Form)
	The applicant's and the foreign production company's business registration and corporate registry or its equivalent
	The applicant's certificate of registration as a film producer, or a video producer, or an independent broadcasting producer
	A production service agreement between the applicant and the foreign production company, and its notarized Korean translation

- Distribution/exhibition agreement

In order to prove that the production is complete and therefore the work is ready for theatrical exhibition, television broadcasting or on-line streaming, the recipient must submit the work with the credits attached.

In the event that the production is not complete, digital files or DVDs containing the cuts shot in Korea shall be submitted instead.

In the event that the digital files or DVDs are not provided, KOFIC shall be allowed to attend the screening of the work.

A distribution/exhibition agreement between the foreign production company and local distributors or a certificate thereof shall be submitted.



- Certificate of Subsidy Settlement Report(only applicable if the subsidy is 300 million KRW or more) & Audited Statement of Expenditure

In accordance with the Article 27 of the Subsidy Management Act and the Article 12 of the Enforcement Decree of the Subsidy Management Act, the recipient must submit an audited statement of expenditure and the certificate of subsidy settlement report on all claimed QPEs and the auditors as is qualified by the Article 3 of the Act on External Audit of a Corporation must meet the following requirements :

- Shall not be the recipient's shareholder, investor, full-time officer, employee or employer
- Shall not be subject to the restrictions under Article 33 of the Certified Public Accountant Act

The auditor shall certify on the expenditure statement that (1) he meets the aforesaid qualifications; and that (2) he has thoroughly fulfilled his auditing role by checking whether production expenses spent in Korea have been administered in accordance with the KOFIC Location Incentive 'Standard for Qualifying Production Expenditure' and the support documentation has been lawfully prepared. The auditor shall also state the total amount of the QPE, and shall attach the following documents as well as the audit report in accordance with the guideline for Verifying of the Subsidy Settlement Report and the detailed criteria of auditing the subsidy recipient, as it is stated in the guideline for Managing the Operation of Governmental Subsidy(Ministry of Strategy and Finance, 2016 July 25):

- Summary of production expenses spent in Korea (KOFIC-recommended form; fill out all major categories)
- Detailed expense report of production expenses spent in Korea (KOFIC-recommended form; fill out minor categories)
- Detailed expense report referred to the final application (KOFIC-recommended form; prepare in the order of major, intermediate, and minor categories; fill in the dates, recipients, amounts, and method of payment; and print out each major category separately).

\* All of the above must be submitted in soft copy (e.g. Microsoft Excel)

- Expense Report of the Total Production Costs

The recipient must submit an expense report on the total production costs prepared by the foreign production company in order to prove that more than 80% of the total production costs were drawn from foreign capital.

As to the production costs not yet disbursed by the date of the aforementioned report, the foreign production company must state the amounts and their uses in the report.

- In the event that KOFIC requests additional documents, the applicant shall submit the documents within 5 days. Any delay may result in cancellation or deferral of the application.
- KOFIC shall convene the Review Committee which then shall evaluate the application documents and decide on the eligibility and the final grant amount, taking into consideration of the "tourism expansion", "quantitative contribution", "foreign engagement", and fiscal feasibility.
- If the actual production proceeded differently from the plan set forth in the provisional application and the Review Committee does not find the changes reasonable, KOFIC may cancel the grant.
- KOFIC shall deliberate upon the evaluation results of the Review Committee and make the final decision and notify the applicants accordingly. KOFIC shall have the final authority on the eligibility, and its decision is not subject to appeal.

## (6) Grants Awarded

- KOFIC shall transfer the agreed amount to the applicant's bank account based on the QPE amounts.
- KOFIC may cancel the grant decision in event of one of the following, in which case the recipient must return any funding already disbursed:
  - fallacy in the submitted documents
  - refusal to respond to additional document requests
  - breach of the duties set forth in the grant agreement and in the Subsidy Management Act, etc.

## (7) Submission of Final Work

- The applicants must submit two(2) DVDs of final cut after the completion of film production and/or after the theatrical release.
- The applicants must submit distribution results including theaters, broadcasting, and online worldwide.

## (8) Convening of Review Committee

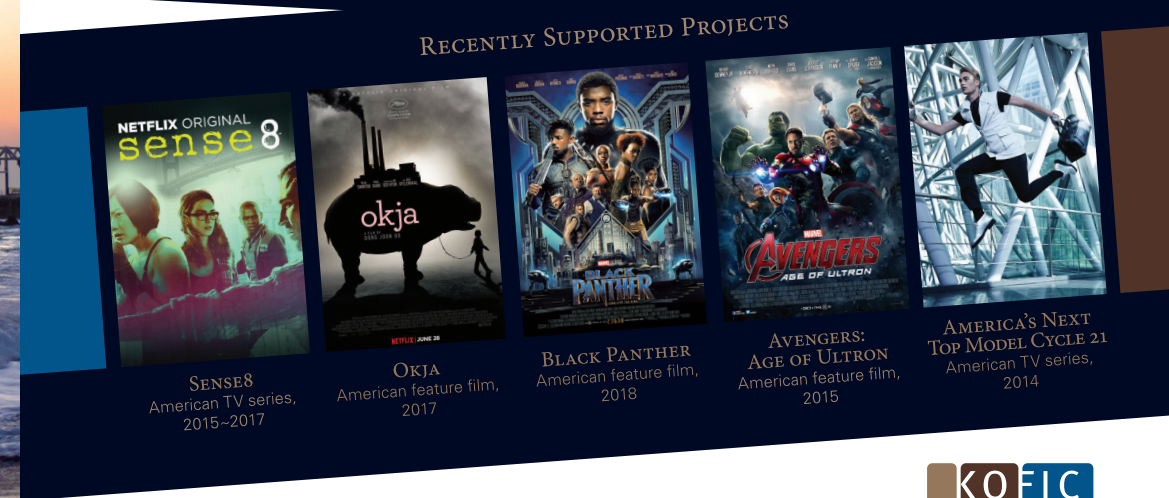
- KOFIC shall construct a Review Committee consisting of no more than 7 people (from or outside of KOFIC) who shall decide on the eligibility, whether to reward the grant, the feasibility of the budget and its actual administration, and the grant amounts.
- KOFIC shall accept only those provisional applications accompanied by sufficient support documents, and the Review Committee shall evaluate the applications in the order of acceptance.
- The Review Committee may make additional document requests to the applicant through KOFIC, and may suspend the evaluation until such request is fulfilled.





### 3. Miscellaneous

- KOFIC may review the status of implementation of the project in accordance with Article 25 of the Subsidy Management Act. In any event that the final audio-visual work differs from the work submitted with the final application, that the application was made in deceit, or that the applicant has failed to perform the grant agreement, KOFIC may impose sanctions such as cancellation of support and request the reimbursement of the grant money already disbursed through a resolution of the council resolution, based on the Article 31, 33, and 34 of the Subsidy Management Act.
- All QPE must be disbursed from a separate, single bank account denoted in the provisional application.
- Any change in the ownership of the production shall be pre-approved in writing by KOFIC.
- The final credit must acknowledge KOFIC's assistance by including the following phrase in the relevant language: **With the participation of the KOFIC Location Incentive**
- KOFIC may use the information submitted by the applicant for research and policy development purposes, and may use parts of the work for this program's publicity purposes.
- The work must be theatrically released or broadcast on television or screen on-line in overseas territories. In the event that a commercial DVD of the final work (including all the credits) is released, 2 copies must be submitted.
- The applicant must be debt-free with respect to KOFIC before the provisional application is submitted.
- KOFIC may change or update the program's rules, requisite documents, and time lines intermittently.





# STANDARD FOR QUALIFYING PRODUCTION EXPENDITURE

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## SECTION 1

### PURPOSE

1. This criteria set out the detailed standard for expenditures which can be applied for KOFIC Location Incentive.

## SECTION 2

### DEFINITION OF QUALIFYING PRODUCTION EXPENDITURE (QPE)

#### Introduction

2. This section outlines the definition of Qualifying Production Expenditure which recognized by the Korean Film Council("KOFIC").
3. All costs claimed as QPE must be presented in an audited statement of expenditure attached to each application. Arrangements in application should be made to track expenditure that relates to the Korea and non-Korea production activity in order to determine the eligible QPE grant.
4. QPE is generally defined as the production expenditure spent by the applicants in the manner of corporate prepaid/credit card or wire transfer on the audio-visual works production where that expenditure is incurred for, or is attributable to the following item. The corporate card and bank accounts used must be reported in the provisional application.
  - Goods and services provided by a business entrepreneur in Korea;
  - Services provided by person who resided in Korea for one year or more (hereinafter referred to as a "resident"); if provider for service is not of Korean nationality, he or she should obtain appropriate a visa to entry into Korea in accordance with the Immigration Act;
  - The use of land or a good located in Korea.
5. The term "business entrepreneur in Korea" in the criteria is one which completes registration of business and falls under any of the following items:
  - A person who holds his/her domicile in Korea or has held his/her temporary domicile in Korea for one year or more
  - A corporation with its headquarters, main office or actual business management place located in Korea

6. Applicant should submit corporate card transaction receipt, (electronic tax) invoice and a copy of a bankbook as documentary evidence for expenditure to be qualified for the grant. However, in cases where cash expenditure is inevitable due to lack of transportation and/or communication facilities, or for small expenses on set, it may be considered QPE if cash receipts (issued under corporate name) are provided as evidence. This only applies to cash spent during filming on location.
7. QPE is defined as expenditure incurred from pre-production stages to post-production stages with respect to the audio-visual works production. Post production costs or labor costs for actors/actresses and staffs must not exceed 50 percent of the total QPE and the total costs for the main cast must not exceed 30% of total labor costs the production applies for.
8. QPE is limited to expenditure that is incurred from no earlier than 3 months before the start of principal photography in Korea to issuance date of audit report.

### Example of QPE

9. For the sake of clarity, the following expenditure items are specifically noted as being included within QPE.

- (a) Pre-production Expenditure
- (b) Copyright Acquisition
- (c) Travel to Korea
- (d) Freight
- (e) External audit fee
- (f) Depreciation expense
- (g) Remuneration for the cast and crew

#### (a) Pre-production Expenditure

10. Pre-production expenditure is defined as expenditure incurred in Korea on the development and pre-production stages of the audio-visual work production i.e., prior to the commencement of principal photography. Pre-production expenditure is counted from 3 months before the commencement of principal photography in Korea.

#### (b) Copyright Acquisition

11. The cost of copyright or licensing of copyright for use in the audio-visual work production may be claimed as QPE if the original owner of copyright is a business entrepreneur in Korea.
12. Incidental expense like cost of commissioning and purchasing copyright for use in the audio-visual works production may be claimed as QPE if the cost was incurred in Korea.

#### (c) Travel to Korea

13. Travel to Korea for work undertaken on the audio-visual work production by non-resident cast and crew may be included as QPE where that travel relates to incoming journeys:
  - for foreign cast and crew who work on the production in Korea for a period totaling three days or more; and
  - for airline fare is paid to business entrepreneur in Korea

#### (d) Freight

14. International freight, provided that it is paid to business entrepreneur in Korea, may be included within QPE.

#### (e) External audit fee

15. External audit fee for audited expenditure statement that is provided by business entrepreneur in Korea may be included within QPE. The audit must be prepared by a person who is:
  - Not the shareholder, investor, full-time officer, employee or employer of the applicant company
  - Not subject to the restrictions under Article 33 of the Certified Public Accountant Act
  - Accounting firm under the criteria of the examination of accounts related to pay-out for Subsidy from the Korean Ministry of Culture, Sports and Tourism

#### (f) Depreciation expense

16. Where an applicant directly purchases an asset for use in the audio-visual works production and states depreciation expense that is equivalent to its production period in financial statement, the depreciation expense can be claimed as QPE. Depreciation expense that is equivalent to QPE is limited in accordance with the Corporate Tax Law in manner of:
  - Method: straight-line depreciation or declining balance method
  - Durable years: Standard durable years in accordance with the Enforcement Rule of Corporate Tax Law
17. Where an applicant states depreciating asset as expense, provided that acquisition asset which an applicant purchase for use directly in an audio-visual work production costs 1 million KRW or less per transaction, the expenditure may be included within QPE.
18. Where an applicant purchases for use directly in an audio-visual work production and sells or dispose within the period for audio-visual works production, an amount stated as loss on disposal of the asset may be included within QPE.

19. The above depreciating asset is defined in accordance with the Article 24 of Enforcement Decree of Corporate Tax Law except for immovable property and assets needed registration.

**(g) Remuneration for the cast and crew**

20. Where a person who is not restricted for an audio-visual work production in accordance with the law of the Korea and provides service in Korea as cast who is presented in the audio-visual work or crew, remuneration for the cast and crew may be included within QPE, and the only amount of income subject to tax withholding in Korea is qualified as QPE.
21. Where commission fee for the agent is included within the total amount which is equivalent to remuneration for the cast and crew and is qualified as QPE, the commission fee for the agent may be included within QPE.

## Exemption items

22. The following expenditure items do not qualify as QPE and should be excluded:

- (a) Financing Expenditure
- (b) Airline fare relating to Short-term Visits for the cast and crew
- (c) Paid money and valuables for the cast and crew besides remuneration
- (d) Costs of Services embodied in Goods
- (e) Acquisition of depreciating assets
- (f) Fees for services subcontracted to business entrepreneur besides Korea
- (g) Costs of operating office
- (h) Other expenditures which are not regarded as QPE determined by KOFIC.
- (a) Financing Expenditure

23. Financing expenditure includes returns payable on amounts invested in the audio-visual works production and expenditure connected with raising and servicing finance for the audio-visual works production, such as interest payments, bank commission fee. Financing expenditure is not to be included as part of QPE.

**(b) Airline fare relating to Short-term Visits for the cast and crew**

24. Non-resident personnel who travel to Korea and do not work on the audio-visual works production for three days or more, the expenditure in relation to airline fare do not include as QPE.

**(c) Paid money and valuables for the cast and crew besides remuneration**

25. Money and valuables paid more than the amount in a prior agreement or a contract for the cast and crew are not included within QPE. Per Diem that an applicant pays foreign cast and crew is not qualified as QPE.

**(d) Costs of Services embodied in Goods**

26. If the cost of certain services are embodied in the cost of a good that is delivered to the applicant company, and those services were predominantly (i.e. greater than 50 percent of cost) performed outside Korea, then those services are not provided in Korea for the purposes of determining QPE.

**(e) Acquisition of depreciating assets**

27. Except for copyright acquisition expenditure that qualifies as QPE, the acquisition of a depreciating asset and any capital costs invested in that asset do not qualify as QPE. (See the Article 24 of Enforcement Decree of Corporate Tax Law for the definition and treatment of a depreciating asset)

**(f) Fees for services subcontracted to business operator besides Korea**

28. Where fees subcontracted in foreign country besides Korea are paid for Post, digital and visual effects production and on the audio-visual works production, the fees are not regarded as QPE.

**(g) Costs of operating office**

29. Office rental and expenditures for consumption goods and miscellaneous things are not regarded as QPE.

**(h) Other expenditures which are not regarded as QPE determined by KOFIC**

30. Gifts, gifts certificates, entertainment and gratuities, fines, and other card payments for a business entrepreneur who is involved in 'the restricted types of businesses to use the card granted for subsidies' under the Appendix 1 of the Guidelines for Integrated Management of Governmental Subsidies from the Korean Ministry of Strategy and Finance are not regarded as QPE.
31. A list of disqualified expenditures determined by KOFIC through annual guidelines of the said business is not regarded as QPE.



## SECTION 3

## TREATMENT OF QPE

## Basis of Expenditure

32. To be included as QPE, an expenditure item must have actually been paid.

## Value Added Tax (VAT)

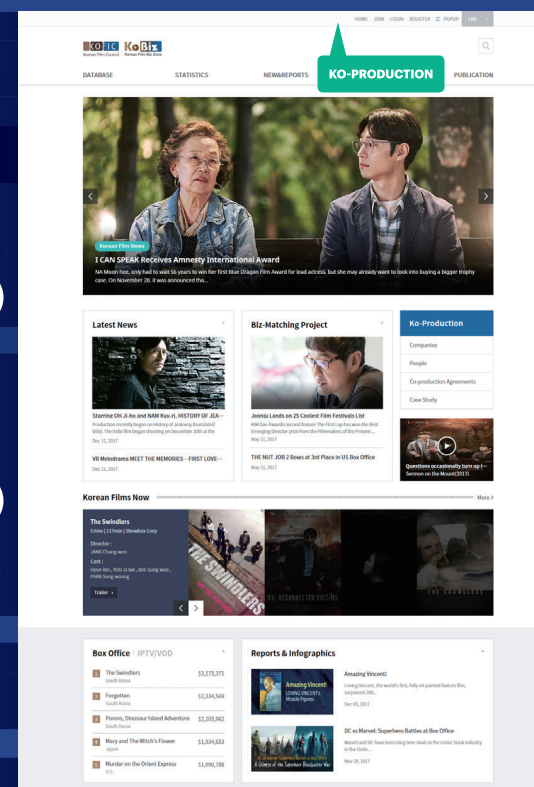
33. All figures set out in this document are quoted net of VAT. As such, the grant is calculated in relation to amounts that are net of VAT.

## Arm's Length's Expenditure

34. The basis of the arm's length principle is to ensure that amounts charged between the applicant company and any associate companies including parent and subsidiary companies for the provision of goods and services are commercially reasonable.
35. Where the applicant incurs expenditure under a non-arm's length arrangement which inflates or deflates the cost of a particular good or service in relation to the screen production, only expenditures paid for goods and services as the prices applied or to be applied in sound and generally-accepted practice and related activities (see the Section 2, Article 52 of Corporate Tax Law) in normal transactions between persons without a special relationship are regarded as QPE.
36. The arm's length principle applies to any act or transaction directly connected with any expenditure paid by the applicant.

## Expenditure in case of an applicant takes over the production from another company

37. QPE may be qualified to a company which acquired by transfer a screen production from another company and complete the project. Expenditure that company which yielded the business expends on screen production may be included within QPE for the company which yielded the project. Fees used to acquire the project are not included within QPE.
38. In the above case, where the production discontinues after transfer, final application for the grants is unavailable, and where the project production is transferred, it should be approved through documents by KOFIC in advance.

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